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Scott. II-27-100,000-21-5-52.

Finance (19548) Department.

Ms. SERIES.

G.O. No. 154.

Dated 7-5-1948

[Despatch Abstract.]

MS - 207410 States - Banganapalle and Pudukkottai - Merger - Cash Balance, securities. Treasury accounts, etc - Instructions issued.

GOVERNMENT OF MADRAS.
Abstract.

States - Banganapallee and Pudukkottai - Merger - Cash Balance - Securities, Treasury Accounts. etc - Instructions issued.

FINANCE DEPARTMENT

G.O. Ms. No. 454.

Dated the 7th May 1948.

Read:-

From the Government of India, Ministry of States,
letter No. D. 3890/P-48 dated 5.3.1948.
From the Accountant-General, Madras, D.O. No. T.M.
7-15/1976 dated 17.3.1948.
From the Accountant-General, Madras, U.O. No. T.M.
7-15/47-49-115 dated 15.4.1948.
G.O. Ms. No. 322, Finance, dated 2.4.1948.
Finance (Ways and Means) Department, Memorandum
No: 14604-W.M.-3 dated 7.4.1948.

Order:-

In supersession of the instructions issued in paragraph 2 of the Government Memorandum cited in regard to the securities, etc. of Banganapalle, the Government direct that the treasury balances and the value of securities relating to the States of Banganapallee and Pudukkottai, which have been taken over by the Government, be included in the Public Account and shown for the present in the Provincial Account as receipts under a separate Suspense head with the necessary detailed heads.

The Government also direct that the ordinary transactions of the two States from the date of merger be exhibited separately under a Suspense head in the Provincial Account under the detailed heads "Receipts on account of Banganapalle/Pudukkottai State" and "Payments on account of Banganapalle/Pudukkottai State". The Accountant-General is requested to issue such further instructions as may be necessary in this regard.

2. The Government consider it desirable that special audit should be conducted in respect of the transactions of both the States (Pudukkottai and Banganapalle) for a period of six months prior to the date of merger. They accept the suggestion of the Accountant-General that two Accounts Parties, each consisting of one S.A.S. Accountant and two Upper division clerks may be deputed from his office for checking simultaneously the accounts of the two States. The check should be in respect of the transactions for the period from the 1st August 1947 to the date of merger. The Accounts Parties will work under the immediate supervision and guidance of the Collectors of Kurnool and Tiruchirapalli, but will be responsible to the Accountant-General in respect of the audit work. The Collectors concerned may also utilise the services of these parties for investigating the claims relating to the period before the merger, but presented after the date of merger. Doubtful points, if any, arising from bills for large amounts, which cannot be settled by the Collector concerned with the assistance of the Accountant deputed from the Accountant-General's office will be referred to the Accountant-General for decision before the bills are paid.

The Accountant-General is requested to arrange for the special audit forthwith. The deputation of the persons concerned will be for a period of three months in the first instance.

The Government also accept the suggestion of the

Accountant-General that a gazetted officer of the Audit Department should inspect the accounts of the two States for the period mentioned above and issue instructions to the staff doing the audit work. The Accountant-General is requested to depute an officer for the purpose.

3. The expenditure on account of the pay and allowances of the Audit Parties the travelling allowances of the inspecting officer and the leave and pensionary contributions payable under Fundamental Rule 127 will be ~~borne~~ borne initially by the Provincial Government and debited to the Suspense Head referred to in para 1 above. The question of allocation of the expenditure between the Provincial and the Central Government will be considered and orders issued separately in due course.

(By Order of His Excellency the Governor).

x x x
1.5.1948.

To

The Accountant-General, Madras.
The Collector of Tiruchirapalli.
Copy to the Public (Political) Department.
Copy to the Finance Department. (Ways and Means).
Copy to the Finance (Budget General) Department.
Copy to the Board of Revenue, Madras.
Copy to the Government of India, Ministry of States, New Delhi.

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*Office Assistant,
Madras Record Office.
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15/4*

Copy of letter No. T.M.7-15/47-49/318 dated 12th May 1948 from the Accountant-General, Madras to the Secretary to the Government of Madras, Finance Department, Madras.

Sub:- States - Banganapalle and Pudukkottai - Accounting of transactions from the date of integration with the Province.

Ref:- G.O. Ms. No. 454, Finance (A.A.) Department, dated 7th May 1948.

I have the honour to state that the Auditor General has, in consultation with the Government of India, since decided that the accounts of the States integrated with a Province should be kept distinct and separate from the Accounts of the Provincial Government. A copy of Auditor General's letter No. 295/AC/3-48 dated the 28th April 1948 on the subject is enclosed for information and necessary action. The orders issued in paragraph 1 of G.O. Ms. No. 454, Finance (A.A.) Department dated 7th May 1948 may therefore be further modified suitably with reference to the instructions of the Auditor-General.

I request that necessary instructions may be issued to the Collectors of Kurnool and Tiruchirapalli urgently. The Treasury Officers concerned may be

instructed to compile separate accounts from the date of the merger and send them to this office with all vouchers and schedules for audit as early as possible.

The action taken on paragraph 2 of the G.O. will be intimated separately.

I have the honour to be,
Sir,
Your obedient servant,

(Sd) x x x
DEPUTY ACCOUNTANT-GENERAL.

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FINANCE (ACCOUNTS-A) DEPARTMENT

Please see the letter from the Accountant-General, Madras on p. 1 above and the enclosure at p. 3 below.

The main file on the subject has been sent to the Accountant-General U.O. with a draft letter to the Government of India. Its receipt may be awaited till 19.5.1948.

x x x
15.5.48.

Copy of letter No. 295/AC/3-48 dated 28.4.1948 from the Additor-General of India, Simla to all Accountants-General and Comptrollers.

Sub:- Accounting of transactions relating to States whose administration has been or may be integrated with that of any Province of India.

I have the honour to refer you to Ministry of Finance Notification No D-5357/B/48 dated the 17th April 1948 and to state that the following procedure has been decided. with the approval of the Government of India, Ministry of Finance, for the audit and accounting of transactions of the States, whose administration has been or may be integrated with that of any Province of India.

(i) Separate accounts should be maintained for these States collectively, the accounts relating to the subjects under the administrative control of the Central and Provincial Government being also exhibited separately.

(ii) There will be no difficulty in the case of States which have been formed into separate Districts. The maintenance of separate accounts for the States which are, however, treated as Part of, or attached to, the existing districts under Government will, present some difficulty. In such cases, it may be arranged that two separate sets of accounts, viz., one for the receipts and payments of the integrated States and the other for the existing sub-treasuries and the district treasury, are prepared for submission to the Accountant-General or Comptroller monthly. The vouchers, challans, etc. pertaining to such States should be prominently marked as such in the sub-treasury

or treasury. The Provincial Government concerned may be asked to issue suitable instructions to the Treasury Officers concerned, if necessary.

(iii) As the accounts of the Provincial Government will be kept distinct and separate from the accounts of the States, the adjustment of transactions pertaining to the former, which arise in those States, (e.g. recoveries of Provident Fund deductions of Government servants, Post Life Assurance, etc) and vice versa, should be effected through a new minor head "States Suspense" under "S-Remittances-Remittances within India-Cash Remittances, etc" both in the States' accounts and in the accounts of the Province concerned. Transactions pertaining to the States, which arise in other Provinces, should initially be passed on to the Accounts Officer of the Province concerned for adjustment and clearance under the above mentioned head.

As the balances of the States are to be kept separate from the balances of the Government, the net balance outstanding under the "Suspense" head will have to be cleared periodically by actual payment or recovery of cash to or from the States.

(iv) The accounts classification should, as far as possible, follow the classification in Government accounts, separate consolidated abstracts, detailed books, etc. being maintained.

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Copy of letter No. 2066/48-4 dated 27.7.1948 from the Government of Madras, Public (Political) Department, Madras to the Secretary to the Government of India, Ministry of States, New Delhi.

Sub:- States - Merger - Accounts - Maintenance of separate accounts.

I am directed to address the Government of India in the matter of maintaining separate accounts for the merged States.

In his letter No. 295/AC/3-48 dated 28.4.48 (copy enclosed), the Auditor-General of India has issued instructions to all the Accountants-General about the maintenance of accounts in the merged States in the Provinces. The Auditor-General has asked for maintenance of separate accounts for these States collectively, the accounts relating to the subjects under the administrative control of the Central and Provincial Governments being also exhibited separately.

2. The Madras Government consider that it will facilitate smooth and proper maintenance of accounts if the expenditure and receipts of the merged States in this Province are also merged with the expenditure and receipts of this Province. This Government have not however, been apprised of the reasons for maintaining separate account. It cannot obviously be with a view to see whether expenditure

in the merged States can be met from the cash balances and revenues of those States, for it has been stated in para 8 of the Government of India's letter No. F-41(7)-I-B/48 dated 25.2.1948 that one of the objectives with which the Rulers have agreed to the merger was to bring up the level of the administration in the States to that of Indian Provinces and it was hoped that no distinction would be made between State areas and District areas in the matter of development, construction of roads, provision of hospitals, etc.

3. Banganapalle has been constituted into a separate sub-taluk in the Kurnool district and Pudukkottai has, for the present been constituted as a separate revenue division in the Tiruchirapalli district. There is, however, a proposal before the Government on which a decision is yet to be taken, that the merged State of Pudukkottai be constituted into a separate district. Under the existing conditions, there may not be any difficulty in maintaining separate accounts for Banganapalle and Pudukkottai as contemplated by the Auditor-General. But if Pudukkottai is constituted into a district by taking portions of territory from adjoining districts the work of maintaining separate accounts for the merged areas will be rendered difficult.

I am therefore to request that in the circumstances mentioned above, this Government may be informed of the intention of the Government of India in having asked for the maintenance of separate accounts for the merged States.

Yours faithfully,

(sd) x x x

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Copy to the Accountant-General, Madras.

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Copy of Letter No. T.M. 7-15-47-49/889 dated 12th August 1948 from S.A. Vaneswar, Esq., Accountant-General, Madras to the Chief Secretary to the Government of Madras, Public (Political) Department, Fort St. George, Madras.

Sub:- Accounting of transactions relating to Banganapalle and Pudukkottai States merged in Madras Province.

In continuation of this office U.O. reply No. T.M. 7-15/47-48/612 dated the 28th June 1948, I have the honour to forward a copy of the Auditor-General's letter No. 491-AC-3-48 dated the 30th June 1948 containing revised instructions for the accounting of transactions relating to states merged in a Province. It will be seen therefrom that the cash balances of States which have merged in Madras Province are no longer required to be kept distinct from the cash balance of Madras Government, but are to be taken over and credited provisionally to the head "Account of State" to be opened under "Deposits and Advances" in the provincial section of Government accounts pending the issue of orders by the Government of India regarding their allocation between Central and Provincial Governments. Although the cash balances of Banganapalle and Pudukkottai States were reported to have been taken over by the Collectors of Kurnool and Tiruchirapalli districts respectively they do

not appear to have been included in Provincial Government accounts so far. Instructions will now be issued to the Collectors to credit to the deposit head the cash balances of the States as on the date of closing the accounts for July 1948. In this connection it may be mentioned that, at the time of merger, a portion of the cash balances of the States was deposited with private banks and in branches of Imperial Bank of India - vide in this connection Finance Department Memorandum No. 17156-A-W-M-2 dated the 20th March 1948 and the Public (Political) Department letter No. 582/48-19 dated the 9th April 1948 to the Secretary to the Government of India, Ministry of States, New Delhi. All such balances should now be withdrawn and deposited with the Imperial Bank or the Reserve Bank of India. The money standing at the credit of the States in the branches of the Imperial Bank should also be transferred to Madras Government account.

2. As the cash balances of the States are now credited to Madras Government, the treasuries at the States will now function like any other Provincial treasury. But a separate account will be kept of the transactions relating to the States. The detailed instructions to be issued to the treasury officers for their guidance consequent on the receipt of revised instructions from the Auditor-General are under consideration. Copies of the instructions issued to the Treasury Officers will be furnished to Government shortly. The general system of accounting that has to be followed in the light of Auditor-General's order is however briefly indicated below.

3. All receipts and expenditure relating to Departments of Provincial Governments other than Public Works and Forest Departments functioning in the states will be credited and debited to the deposit head mentioned in paragraph (1). An account containing detailed classification and working up to the totals will be furnished by the Treasury Officers along with the accounts for their respective district treasuries.

4. In the case of P.W.D. the cheques drawn by officers of the State P.W.D. and money remitted by them will be debited and credited to "Public Works Remittances" as in the case of other P.W.D. Officers. But the Executive Engineers of the Divisions in which the P.W.D. of the states have merged will be asked to render a separate account for the transactions relating to the states. In their monthly accounts of the divisions the Divisional Officers will take to the deposit head all receipts and expenditure relating to the States. Every month, along with the account for the division a detailed classified account for the state working up to the totals under the deposit head in the Divisional accounts will be sent to this office by the Executive Engineers. A similar procedure will be adopted in the case of Forest Department.

5. It is proposed that the procedure indicated in the foregoing paragraphs should be made applicable only to revenue receipts and service expenditure relating to the States. Debt Deposit and remittance transactions arising in the state areas will accordingly be taken direct to the heads concerned in the Provincial or Central Government accounts as the case may be, such heads being sub divided where necessary to segregate the transactions relating to the States. The proposal has been made to

avoid needless complication in accounting and if the Government of Madras concur, the approval of the Auditor-General thereto will be obtained.

6. The Auditor-General has ordered in his circular letter No. 295/AC/3-48 dated the 28th April 1948 that the classification in States accounts should follow as far as practicable the classification in Government accounts. Accordingly in the States accounts such of those major heads which are likely to be operated upon will be opened. The adoption of the detailed classification under major minor and sub-heads found in Government accounts will, though it is an elaborate arrangement, facilitate the merging of the transactions in the State area in the accounts of the Province, if this should be decided upon later, as proposed in Government of Madras, Public (Political) Department letter No. 2666/48-4 dated the 27th July 1948 to the Government of India. Another essential factor to be considered in this connection is that the classification in accounts should follow that in the Budget Estimates. It is not known whether Government have prepared or propose to prepare separate Budget Estimates for the states of Banganapalle and Pudukkottai and if so, in what form.

7. The views of Government on the points raised in paragraphs 5 and 6 may kindly be communicated to this office so that necessary steps for the compilation of the accounts of the states may be taken in this office.

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Copy of the letter No. D-11399-P/48 dated 1st October 1948 from the Deputy Secretary to the Government of India, Ministry of States, New Delhi to the Chief Secretary to the Government of Madras, Madras.

I am directed to refer to your letter No. 2066/48-4 dated the 27th July 1948 regarding maintenance of separate accounts for merged States and to explain the position as follows. The merged States retain their separate identity as States so long as they are not constitutionally merged with the Provinces under section 290 of the Government of India Act, 1935. The Government of India have therefore been advised that pending a complete merger it would not be correct to absorb the accounts of the States with those of the integrating Provinces. Instructions regarding maintenance of separate accounts were accordingly issued by the Auditor-General in his letter of April 28, 1948.

2. As the Madras Government are aware, legislation to amend Section 290 of the Government of India Act, 1935 (as adapted) is being promoted to enable complete merger being effected. With the enactment of the legislation and the complete merger that is to follow, the difficulty in having to maintain separate account will automatically be got over.

Yours faithfully,

(Sd) x x x x

GOVERNMENT OF MADRAS.
Finance Department.

Memorandum No. 82457/AA/48-5 dated 19.11.1948.

Sub:- Accounting of transactions relating to Pudukkottai
State merged in Madras Province.

Ref:- From the Accountant-General, Madras, NO. T.M.7-13/47-49,
1342 dated 27.9.1948.

The Accountant-General is informed that the Government accept the draft of the reply which he proposes to send to the Collector of Tiruchirapalli, subject to the following remarks:-

(a) With reference to para 3 of the Collector's letter No. RCK-1-1144/48 dated 26.8.1948, his attention may be drawn to G.O. No. 948, Finance, dated 9.10.1948 regarding instructions for the preparation of the Budget Estimates for Pudukkottai and Banganapalli States and he may be informed as stated at the end of para 1 of the G.O. that the expenditure on the various items should be authorised by the competent authority and that the question of formal provision of funds will not arise so long as the transactions appear in the Deposit Section of the accounts.

(b) With regard to the Audit Staff mentioned in para 4 of the Collector's letter dated 26.8.1948, the attention of the Accountant-General is invited to para 2 of Memorandum No. 1571/48-4, Public (Political) dated 29th June 1948 (copy enclosed). The Accountant-General is requested to consider whether it will be possible to absorb the surplus audit staff in suitable posts in his office and also to consult the Examiner of Local/Accounts in the matter, if necessary.

/Fund

2. The Accountant-General is also informed that the presumptions in paragraphs 2 and 3 of his letter cited are correct.

(Sd) x x x
2.11.48.

To

The Accountant-General with copy of Memorandum No. 1571/48-4,
Public (Political) dated 29.6.1948.
Copy to the Public (Political) Department.

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/True copy/

Superintendent,
MADRAS RECORD OFFICE.

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17/8

PUBLIC (POLITICAL-A) DEPARTMENT

States - Banganapalle and Pudukkottai - Merger -
Treasury accounts - Instructions of Government of
India.

The proposal in this file relates to the issued of instructions regarding the maintenance of accounts in the merged States of Banganapalle and Pudukkottai. Instructions have been issued in G.O. No. 454, Finance, dated 7.5.1946 that the ordinary transactions of the two merged States from the date of merger should be exhibited separately under a suspense head in the Provincial accounts under the detailed heads 'Receipts on account of Banganapalle/Pudukkottai State' and 'payments on account of Banganapalle/Pudukkottai State'. But these instructions are not intended to be permanent and are to be in force until final instructions from the Government of India are received.

Now the Auditor-General of India has under the powers delegated to him by the Government of India, Ministry of Finance, under the Extra Provincial Jurisdiction Act, issued the following instructions regarding the maintenance of accounts for the merged States in India:-

(i) Separate accounts should be maintained for the merged States collectively the accounts relating to the subjects under the administrative control of the Provincial and Central Governments being exhibited separately.

(ii) Two separate sets of accounts, one for the receipts and payments of the States and the other for the existing sub-treasuries and the District Treasury should be maintained.

(iii) the adjustment of transactions pertaining to the Provinces which arise in those States (e.g. recoveries of Provident Fund deductions of Government servants, Postal Life Assurance, etc.) should be effected through a new minor head both in the States' accounts and in the accounts of the Provinces concerned.

The intention of the Auditor-General seems to be that the administration of the States should be carried on from the balances and revenues of those areas, the receipts and charges being classified as 'Central' and 'Provincial' following the classification in the Government accounts.

The above procedure does not seem workable in view of the great inconvenience of these merged areas and the maintenance of their accounts. For instance:

(i) The proportionate pay of all Heads of Departments and of District Officers will have to be debited to State revenues for the services rendered by them towards the States. This does not seem to be a practicable or a desirable proposition.

(ii) If the above procedure is to be adopted then presumably when servants of this Government are posted to Banganapalle they will have to be considered as on deputation and ~~they will have~~ necessary recoveries on account of their leave salary ~~in~~ and pension contribution will have to be made.

This will also in turn mean that the servants of the State cannot be absorbed in the Province (There is a proposal in this Department to that effect in connection with the retention of the existing employees of the States).

(iii) If it is decided ultimately at the Cabinet meeting to constitute Pudukkottai into a separate district and attach to it portions of Ramnad, etc. districts it will be rather a difficult proposition to allocate the expenditure and the receipts as between the original States and the districts.

While suggesting to this Government that the balances of the Pudukkottai State on the date of merger may be kept separate for the provision of amenities for the Pudukkottai people only, the Government of India in the Ministry of States stated that they do not want to tie down the hands of this Government and that it is only a suggestion.

As the procedure prescribed by the Auditor-General does not seem to be in the interests of uniformity and smooth accounting as set out above, Finance may be requested to consider the matter in the light of the foregoing notes.

X X X
31.5.48.

K.R.M.
1.6.

FINANCE DEPARTMENT.

(Previous Finance note on page 16 above).

The notes of Public (Political) Department from the middle of page 16 above may be perused.

2. That Department considers that the procedure prescribed by the Auditor-General at page 29 c.f. for the auditing and accounting transactions of the States whose administration has been or may be integrated with that of any Province in India, does not seem to be in the interest of uniformity and smooth accounting, so far as this Province is concerned. The main grounds of objection are specified at 'M' on page 17 above. The following remarks seem called for:-

/other

Item (i) ~~166/6~~ at 'M' on p. 17 above:- This difficulty may perhaps be solved by debiting to the State revenues a fixed sum towards the pay and allowances of the Heads of Departments and/officers concerned, without making an allocation monthly on the basis of actual charges.

Item (ii) at 'M' on page 17 above:- This will have to be followed if the Government of India's intention is, as stated by the Accountant-General at 'M' on page 17 above.

Item (iii) at 'M' on page 17 above:- If it is decided to constitute 'Pudukkottai' into a separate district attaching to it a portion of Remnad and some other districts is decided it would be difficult to adopt the

accounting procedure prescribed by the Auditor-General in his letter at page 29 c.f. The Auditor-General's instructions will, it seems, be suitable only if the existing 'Pudukkottai' area is constituted as a separate district or division.

The remarks of the Accountant-General may, however, be invited.

The Government of India and the Auditor-General apparently contemplate that the financial administration of the States merged in this Province should be practically the same as before the merger and independent of the transactions in the rest of the Province. This will be possible only if the ordinary administration of the merged areas is left unchanged, except for the transfer of the supervisory control from the Rajah or the Nawab to this Government. This is not what this Government have envisaged so far. It is one thing to lay down that the cash balances of the States (including securities) on the date of merger should be funded separately and utilised for the benefit of the respective areas alone and quite another to say that the day to day administration should be carried on only with the revenues arising in those areas. If the two states are still to be treated as separate financial entities, it would be necessary to make a change on the revenue of the States for all services rendered by the regular Provincial Officers including proportionate charges on account of the time and labour spent by the Secretariat staff in connection with the administration of the two areas. The cost of all supplies including supply of stationery and cost of printing work, etc. will also have to be debited against the revenues of the areas. All this will be highly inconvenient.

2. In any case, it is presumed that the ways and means arrangements for the two areas need not be made separately from those for the rest of the Province now.

3. Public (Political) may therefore be requested to address the Government of India explaining the position and asking for a clarification of their intention in regard to the financial and other administration of the two State areas. A copy of the letter to the Government of India may be sent to the Accountant-General also for information with reference to his letter on page 27 c.f. (The Accountant-General is making arrangements for the audit of the accounts of the two States -- pages 31 and 33 c.f. Meanwhile the orders issued on pages 17-19 c.f. may stand.

4. Public (Political) will no doubt circulate the case (including to Hon'ble Minister (Finance) before the letter to the Government of India as proposed above, is issued.

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Z A A R.

"The scope of the Auditor-General's instructions in his letter on page 29 c.f. is not quite clear. It is not known what exactly the term 'collectively' in paragraph 1(1) of the Auditor-General's letter was intended to mean. The instructions was perhaps intended to mean that there should be two separate running accounts in respect of each of the States whose administration has been integrated with that of a Province, one for transactions relating to all Central subjects and the other for those relating to all 'Provincial' subjects.

2. It seems doubtful whether the Government of India and the Auditor-General contemplate monthly adjustments for indirect charges such as 'Supervision Charges' and 'leave and pensionary contribution'. Lump sum contribution can be fixed for 'Supervision charges' following the procedure adopted in the following cases:-

Works for which Supervision or Direction charges are levied	Percentage of works outlay to be levied as supervision charges.
(1)	(2)

Cf. Rules 6(iv)
(b) 12 and 13
in Appendix
3 to the
Madras Accounts
Code, Vol.III.

Water-supply and Drainage
Schemes in direct charge of
Municipal Engineers which are
supervised and certified to
by the Public Works Department
Executive Engineer.

per cent.

Large Surveys for new Irrigation
etc. Projects.

5 per cent.

Irrigation works for which special
establishments are employed.

2 per cent.

Works in 'partially excluded'
areas.

2 per cent.

In the present case, the percentages will have to be in relation to the expenditure on the staff in the several departments in respect of whom supervision charges are to be levied. Suitable percentages for leave and pensionary contribution also. The average of the scales of pay for the several posts may be adopted in calculating the expenditure on staff and in applying the percentages for the above purposes.

in respect of whom
supervision charges
are to be levied. Suitable
percentages can be
fixed for

I think
that actual
adjustment
may be made
at the close
of the year.

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5.6.

In the above cases, the adjustments are made only at the end of the year. If the intention is that a complete account of Pudukkottai and Banganapalle States should be prepared in order to ascertain whether the areas work at a surplus, and if so, to utilise the surplus for some beneficial measures for the States, it would be sufficient to make adjustments for indirect charges annually. The question also arises whether it is necessary to make such adjustments actually in the accounts, or whether it will not be sufficient to include them in a pro forma account

The best arrangement is perhaps for the balances to be held in a deposit account (the money being actually available for use by this Govt. to the extent that the Govt. of India do not require a similar arrangement in respect of a portion of the balances) and to make credit or debt entries to the account according as the Provincial Central transactions relating to the State at the end of a year show a surplus or deficit.

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5.6.48.

3. It would appear from the concluding portion of paragraph 1(iii) of the Auditor-General's letter on page 29 c.f. that the intention is that the balances of the State are to be kept separate from the balances of the Government. It is not clear why the balances should be kept separate. Such an arrangement is not necessary for the purpose mentioned at 'X' above. Further, the Pudukkottai or Banganapalle State will not presumably be conducting its ways and means operations separately, and if the Provincial Government are to be responsible for the ways and means operations of the States, it is reasonable that the Government should have the use of the balances. It is understood that the Auditor-General has informed the Accountant-General in a separate communication that the balances of the States may be held in a Deposit Account in the Provincial Section. This is contradictory to portion 'M' in his letter on page 29 c.f. and the point requires clarification.

4. As regards cash transactions, there will be great difficulty in accounting if the States are not to be separate districts. Even if they are constituted as separate ~~districts~~ districts, it will be difficult to have separate accounts for the transactions of the Forest and Electricity Departments and the receipts and works expenditure of the Public Works Department which are maintained by divisions and not by Revenue Districts. This difficulty can be got over, only if it can be arranged that the existing staff in the States in respect of the three departments mentioned above do all the work relating to them and that the staff outside the States is not employed for the purpose. The procedure to be followed can be settled only after the Cabinet has reached a decision in regard to item (iii) at 'M' on page 17 above.

5. The Public (Political) Department may be requested to send the case U.O. to the Accountant-General for remarks on the foregoing notes. He may address the Auditor-General for clarification of the doubtful points, if he has no objection. This will probably be preferable to the Government of India being addressed by this Government as the Accountant-General may refer to the Auditor-General for orders all points in which he has doubts, so that he may be able to issue clear instructions to Collectors in respect of treasury and accounting procedure to be followed in the State areas.

K.V.
4.6.1948.

T.N.S.R.
5.6.1948.

PUBLIC (POLITICAL) DEPARTMENT

Please see the previous notes of this Department on pages 16-18 and the notes of Finance from page 18 above. The file may now be sent to the Accountant-General u.o. for remarks as suggested by Finance in para 5 on page 23 above.

x x x
9.6.48.

Accountant-General's office,
Madras.

Seen and returned with the following remarks:-

2. The Auditor-General was informed of the position taken in paragraph 1. of this office U.O. reply No. T.M. 7.15/47 49/115 dated the 15th April 1948 - vide copy of paragraph 1 of my D.O. No. T.M. 7.15/47/49/114 dated the 15th April 1948 to the Deputy Auditor-General enclosed). Copies of paragraph 1 of Auditor-General's reply No. 333-AC-35-48 dated the 8th May 1948 and Deputy Auditor-General's further D.O. No. 417/AC/35-48 dated the 3rd June 1948 received since this office reply in U.O. No. T.M. 7-15/47.49/389 dated the 18th May 1948 was sent to Government are enclosed for information. It is clear from the above correspondence that all all transactions including the opening balance of the merger states should be kept separate from the accounts of the Provincial Government and that the opening cash balance will be shown in the Provincial section of the account. But the object of maintaining separate accounts with separate cash balances for the States merged in a province has not been stated explicitly anywhere. The reason cannot obviously be to ascertain whether the expenditure in the merged area could be met out of revenues derived from that area. For, it has been stated in paragraph 8 of the Ministry of States letter No. F.41(7)/1-B/48 dated the 25th February 1948 that one of the objectives with which the Rulers have agreed to the merger of states was to bring up the level of administration to that of Indian Provinces and it was hoped that no distinction would be made between State and District areas in the matter of development, construction of roads, provision of hospitals, etc. Whatever be the object, as the decision to maintain separate accounts has been taken with the approval of the Government of India, Ministry of Finance, the instructions of the Auditor-General on the subject will be followed for the present.

3. As the states are under the control of Government the ways and means arrangements for the states have necessarily to be made by the Madras Government. But as the balances are to be kept separate and exhibited separately in the Provincial Section of the States collective account, it would be necessary to see that those arrangements are not so mixed up with the arrangements for the rest of Madras as to create confusion in accounts.

4. The Auditor-General has stated that separate accounts should be maintained for these States collectively. The words 'States collective account' has also been used in his D.O. No. 407/AC-35-48 dated the 3rd June 1948. It would mean that an account should be maintained for all states which merge in any one Province. In this Province, there will, thus, be a collective account for Banganapalle and Pudukkottai states taken together in addition to the respective individual account of each State.

5. The cash balances of the States have been ordered to be kept in the Provincial section of the separate accounts. They belong to and are controlled by Madras Government, though they are to be kept distinct from the cash balance belonging to rest of Madras. After the merger the States form part of Madras Province as much as any other district. It may be that they are to be treated as for

for the present as separate departments of Madras Government with this difference that separate accounts and cash balances are maintained for them. It is not therefore clear how the question could arise as to the Madras Government's charging the separate cash account of the States for any services rendered by Secretariat, Heads of Departments, etc. or effecting recovery towards leave salary and pensionary contribution on account of Madras Government servants working in the States. The question is essentially an administrative one and may be taken up by the Madras Government with the Government of India for clarification, if considered necessary. If the intention of the Government of India is ascertained, the accounting procedure may be revised suitably.

6. Government have ordered that Pudukkottai State should form a Revenue division of the Tiruchirapalli district. The Banganapalli State has also been treated as an independent sub taluk of Kurnool district. Under the existing conditions there may not be any great difficulty in maintaining separate accounts for the States. But the task of maintaining separate accounts for the states would be rendered extremely difficult, if, in any future administrative set up, the present areas belonging to the states are not kept intact. The proposal now said to be under the consideration of the Cabinet in regard to the constitution of Pudukkottai into a separate district attaching to it portions of neighbouring districts of Tanjore, Trichinopoly and Remnad, if ultimately decided upon, is likely to blur the individuality of the States and consequently complicate the maintenance of separate accounts. Also the Public Works, Forest and Electricity Departments which are now working in the States have to be maintained as separate units and not merged with the respective administrative divisions of the Province so that they could account separately for the receipts and expenditure relating to the States. Under the reorganisation of States, if Pudukkottai is made the headquarters of a new district, the question of allocation and accounting of pay and allowances of officers and establishment which administer the entire district is bound to cause great difficulties. It is, therefore, hoped that a decision in the matter will be reached by Government only after consultation with the Government of India and after elucidation of the objects for which separate accounts have been ordered to be maintained in respect of the States.

In pursuance of the instructions issued by the Auditor-General in his circular letter No. 295/AC-3-48 dated the 28th April 1948 which are clear, so far as Accounting is concerned detailed instructions are being issued to the Collectors of Tiruchirapalli and Pudukkottai districts and all Treasury Officers for the preparation and maintenance of separate accounts for the states. Copies of them will also be sent to Government for information.

(Sd) S.A. Vaneswar,
Accountant-General.

M.G. Public (Pol.) Department U.O.

A.G., Madras, U.O. No. T.M. 7.15/47.49/612 dated the 28th June 1948.

...

PUBLIC (POLITICAL) DEPARTMENT

The references from the Accountant-General on

pages 35-41 c.f. may be perused. The Accountant-General's letter addressed to Finance since received from that department is on page 43 c.f. This Department may agree with the Accountant-General's proposals.

2. Please see the previous notes of this Department on pages 16-18, the notes of Finance on pages 18-23 and the remarks of the Accountant-General on pages 24-25 above. The Auditor-General of India has directed that separate accounts should be kept for the merged states and that they should not be merged with the accounts of the Provincial Governments. The Accountant-General, Madras presumed that the intention was that the administration of the States should be carried on for the present from the revenues and balances of the States. This Department however considered this arrangement to be impracticable and proposed to address the Government of India for a clarification of the position and sent the file to the Accountant-General, Madras, for remarks.

3. The Accountant-General now considers that the reason behind the Auditor-General's instructions for maintenance of separate accounts could not obviously be to ascertain whether the expenditure of the merged area could be met out of the revenues derived from that area. If that is so, the question of making recoveries from the State revenues for services rendered by the servants of this Government as suggested by this department previously will not arise.

4. The Accountant-General is of the view that there is practically no difficulty in maintaining separate accounts for the merged States. For purposes of accounting the merged States are to be treated for the present as separate departments of the Madras Government with this difference that separate accounts and cash balances are maintained for them. The Accountant-General has issued detailed instructions to the Collectors of Kurnool and Tiruchirapalli and the Treasury Officers and about the maintenance of separate accounts for the merged States of Banganapalle and Pudukkottai.

5. If it is decided to constitute Pudukkottai in/to separate district there will be no difficulty, but if one or other of the taluks from adjoining districts are tagged on to Pudukkottai district then difficulties previously envisaged by this Department in their notes on pages 16-18 above will crop up. The Accountant-General therefore suggests that before a decision is arrived at on the question of constitution of Pudukkottai into a separate district the Government of India should be consulted and asked for elucidation of the objects for which separate accounts have been ordered to be maintained. The question of constitution of Pudukkottai into a separate district has to be discussed at a Cabinet meeting. It has been ascertained from Public (Special) that the subject was not included even in the agenda for the Cabinet meeting to be held on 7.7.1948. Relevant extracts of Accountant-General's remarks and the above notes will be added to the connected file and the suggestion of the Accountant-General examined separately.

6. The Accountant-General is of the view that the

Public Works, Forest and the Electricity Departments which are now working in the States have to be maintained as separate units and not merged with respective administrative divisions of the Province. These instructions relate only to the maintenance of accounts and do not mean that the taking over of the administration of these Departments by the respective Heads of Departments of this Government should be postponed. Development and Public Works Departments may see.

7. The Government of India may be asked for a clarification of the reasons for their instructions for the maintenance of separate accounts for the merged States. A draft letter is submitted for approval.

Development, Public Works and Finance may see.

x x x
9.7.48.

DEVELOPMENT DEPARTMENT

(Notes above).

May be perused and the case passed on to Public Works Department u.o. (This appears to have been sent to Development with reference to 'A' above).

x x x
14.7.48.

PUBLIC WORKS DEPARTMENT

The notes of Public (Political) on pages 27-28 ante and the draft letter to India regarding maintenance of separate account for the merged States of Pudukkottai and Banganapalle may be perused. The instructions already issued to the Chief Engineer (Highways) conform to this view. May be returned to Public.

x x x (A.D.S.).
16.7.48.

"By this view I suppose 'B' on pages 28 ante is meant. That is accepted in P.W.D."

x x x (D.S.).
16.7.

PUBLIC (POLITICAL) DEPARTMENT

Finance have not seen the file. May be sent to Finance Department.

A.R.
17.7.48.

FINANCE (A.A.) DEPARTMENT

(Previous Finance Note at pages 18-23 above).

Please see the remarks of the Accountant-General at pages 24-25 above and the further notes at pages 27-29 above.

The draft letter to India may be perused and the file returned to Public (Political).

2. Public (Political) will no doubt circulate the case as already requested by this Department on page 21 above.

X X X
17.7.48.

T.N.S.R.
18.7.1948.

PUBLIC (POLITICAL) DEPARTMENT

The Auditor-General of India has issued instructions that separate accounts should be kept for the receipts and expenditure of the merged States. The Accountant-General, Madras originally presumed that the intention was that the administration of the merged States should be carried on for the present from the revenues and balances of the States only. This Department considered that this proposal would be impracticable and proposed to address the Govt. of India on the necessity for maintaining separate accounts.

2. The Accountant-General is of the view that the Auditor-General's instructions for the maintenance of separate accounts could not obviously be to ascertain whether the expenditure of the merged areas could be met from their revenues. He is also of the view that there will not be difficulty in maintaining separate accounts so long as Banganapalle and Pudukkottai are kept as separate units as at present and that what is intended by the Auditor-General is that for purposes of accounting the merged States should be treated as separate departments of the Madras Government with this difference that separate accounts and cash balances are maintained for them as also that the Public Works, Forest and Electricity Departments which are working in the States have to be maintained as separate department units.

3. He has further suggested that if it is decided to constitute Pudukkottai as a separate district and if it is with portions of the adjoining districts tagged on to it then the process of maintaining separate accounts will be complicated and that therefore before this Government arrive at a decision on that question of the Government of India should be consulted and asked for elucidation of the objects for which maintenance of separate accounts have been asked for. The question of the constitution of Pudukkottai into a separate district has to be decided at a Cabinet meeting. Relevant extracts have been taken for taking necessary action in that file.

4. With reference to the suggestion of the Accountant-General mentioned above, a draft letter to the Government of India is submitted for approval. It

has been accepted in Finance . That Department have asked for circulation including Hon'ble Minister (Finance).

The draft explains itself and is for approval.

A.R.
22.7.48.

K.R.M.
22.7.48.

H.M. (Finance) B.G.R.
26.7.

Hon'ble Premier. (Sd) x x x
For Premier.

(Issued as Letter No. 2066/40-4 dated 21.7.48).
From the Accountant-General, Madras, No. T.M. 7-15/47-49/889 dated 12.8.1948.

Please see the letter from the Accountant-General, Madras and the copy of the Auditor-General's instructions on pages 47-51 c.f. At present the expenditure and receipts of the merged States of Banganapalle and Pudukkottai are being exhibited under the suspense heads in the Provincial accounts under the detailed heads 'Payments on account of Banganapalle/Pudukkottai' and 'Receipts on account of Banganapalle/Pudukkottai'. These instructions were issued by Finance in G.O. No. 454, Finance, dated 7.5.1948. They satisfied also the directions of the Auditor-General of India that the accounts of the merged States should be kept separate and should not be merged with those of the Province. The Govt. of India have been asked by this Government to elucidate the objects with which the maintenance of separate accounts have been prescribed by the Auditor-General. Their reply is still awaited. A draft reminder letter is submitted for approval.

2. Reference is now solicited to the revised instructions of the Auditor-General on page 51 c.f. and the Accountant-General's letter on pages 47-49 c.f. The important features of the revised procedure now prescribed by the Auditor General and the Accountant-General are given below:-

(i) the balances of Banganapalle and Pudukkottai should provisionally be credited to the head 'Account of Banganapalle' to be opened under 'Deposits and Advances' in Pudukkottai the Provincial section of the Government accounts, pending the issue of orders of the Government of India, if any regarding their allocation between the Central and Provincial Governments.

(ii) The receipts and expenditure (other than those relating to Public Works, and Forest Departments) should be credited and debited to the deposit head mentioned in (i) above.

(iii) In the case of Public Works and Forest Departments cheques drawn by officers of the respective departments and money remitted by them should be debited and

credited to Public Works and Forest ~~Dep~~ remittances'.

(iv) Debt deposit and remittance transactions should be taken direct to the heads concerned in the Provincial or Central Government accounts as the case may, such heads being subdivided where necessary to segregate the transactions relating to the States.

3. As regards proposal (i) above, the Accountant-General has suggested that the cash balances of the States (including those deposited with the private banks and in branches of the Imperial Bank of India) should be withdrawn and deposited with the Imperial Bank or Reserve Bank of India. Finance may be requested to issue necessary instructions in the matter.

4. The proposal in (iii) above may be accepted.

5. The Accountant-General, Madras enquires whether this Government propose to prepare separate budgets for the States of Banganapalle and Pudukkottai and if so, in what form. Reference is in this connection invited to the letter from the Collector of Tiruchirapalli, No. R.C. B9-7750-48 dated 21.7.48 and the notes of Finance in another file extracted below.

"For the present the transactions relating to the merged States will be accounted for under a suspense head within the Provincial account, with appropriate details. There is no question of providing funds under the suspense head or controlling expenditure against appropriation. It would be sufficient if all items of expenditure are authorised by the competent authority, without regard to provision of funds as such".

*This is in section IV of Deposits and Advances which is not included in the demands for grants presented to the Legislature.

T.E.V.

R.R.
12.8.48.

T.E.V.
13.8.48.

Finance may be requested to consider whether it will not be desirable to prepare separate budgets for the two States as suggested by the Accountant-General and if so to issue necessary instructions to the Departments of the Secretariat and Heads of Departments for sending necessary estimates.

6. Finance may also be requested to consider whether pending the issue of further detailed instructions by the Accountant-General regarding the revised procedure for the maintenance of accounts, it will be necessary to modify their previous instructions in G.O. No. 454, Finance, dated 7.5.1948 relating to the credit and debit heads.

7. The file may be sent to Finance with reference to the preceding paras after issue of the draft letter.

A.R.
27.8.48.

FINANCE (A.A.) DEPARTMENT

(Previously seen in Finance on page 29 above).

The correspondence on pages 47-51 c.f. and the notes from page 31 above may be perused.

The Accountant-General has asked for the views of this Government on the points dealt with by him in paras 5 and 6 of the letter at pages 49-50 c.f. The points mentioned therein are:-

(i) Debt, Deposits and remittance transactions arising in the Banganapalle and Pudukkottai States areas will be taken direct to the heads concerned in the Provincial or Central Government accounts, as the case may be, such heads being sub-divided where necessary, to segregate the transactions relating to the States; and

(ii) The classification in States accounts should follow as far as practicable, the classification in the Government ~~1946/~~ accounts and that in the Budget estimates. The Accountant-General enquires whether the Government have prepared or propose to prepare separate budget estimates for the States, and if so, in what form.

Item (i) above:- In G.O. No. 454, Finance, dated 7.5.1948, the Government directed that the ordinary transactions of the two States (Banganapalle and Pudukkottai) from the date of merger should be exhibited under a Suspense head in the Provincial Account under the detailed heads 'Receipts on account of Banganapalle/Pudukkottai State' and 'Payments on account of Banganapalle/Pudukkottai State'. In view of the revised instructions now issued by the Auditor-General in regard to the cash balances of the States, the Accountant-General has stated that all receipts and expenditure relating to the Departments of the Provincial Government, other than the Public Works and Forest Departments functioning in the States, would be credited and debited to the Deposits ~~in~~ head instead of two the Suspense head. In the case of the Public Works and Forest Departments the procedure suggested by the Accountant-General is set out in para 4 on page 49 c.f.

deposits and remittance transactions in
In the case of debt, the State areas, the Accountant-General has, however, suggested a different procedure. He has stated that the transactions will be taken direct to the heads concerned in the Provincial or Central Governments as the case may be, such heads being sub divided, where necessary, to segregate the transactions relating to the States.

The proposals of the Accountant-General may be
x agreed to in Finance.

Item (ii) on page 33 above:- No instructions have
Yes ~~so far~~ been issued for the preparation of separate budget
generally ~~estimates~~ for the merged States. Necessary extracts will be taken
but so ~~for~~ separate action by Finance (B.G.). The Accountant-General's
many ~~suggestion~~ mentioned at 'N' on page 33 above may be accepted.
major,
minor
and sub-heads
may not really
be necessary.

T.N.S.R.
16.9.

2. With reference to para 6 of Public (Political)'s note on page 32 above, it is observed that the Accountant-General has already issued necessary revised instructions to all Treasury Officers, etc. and in particular to the Collector of Kurnool and Tiruchirapalli, in the linked file. It does not seem necessary, therefore, to issue orders in modification of those in G.O. No. 454, Finance,

dated 7.5.1948.

3. With reference to 'R' on page 47 c.f. separate action is being taken in Finance (Ways and Means) for the withdrawal of the States' moneys lodged with the Imperial Bank of India and in ~~X~~ a Private Bank at London and credit to the Madras Government's accounts with the Reserve Bank.

4. The Accountant-General may be informed of the position as stated in the above paras. A draft Memorandum is submitted ~~X~~ below for approval. Public (Political) may see before issue.

X X X
13.9

C.S.
14.9.

K.V.
15.9.

T.N.S.R.
16.9.48

Public (Political) Department.

The notes of Finance on pages 33-34 above and the draft Memorandum to the Accountant-General may be perused and the file returned to Finance.

A.R.
23.9.48.

FINANCE (A.A.) DEPARTMENT

The draft Memorandum may now be issued.

C.S.
25.9.49.

(Issued as Memorandum No. 82457/AA-48-2 dated 25.9.48).

The Draft Memorandum has been issued.

The file may now be returned to Public (Political).

PUBLIC (POLITICAL) DEPARTMENT

The letter from the Government of India on page 57 c.f. which is in reply to this department's letter on pages 45-46 c.f. may be perused. The Government of India have stated that the maintenance of separate accounts for the merged States is only a temporary arrangement and that the States' accounts will be absorbed with the Provincial accounts after the States have been completely merged with this Province after section 290 of the Government of India Act is amended. No further action is called for on this.

2. The copies of letters from the Treasury Deputy Collector, Tiruchirapalli and the Collector, Tiruchirapalli on pages 61-64 c.f. and the Accountant-General's proposed reply on pages 65-66 c.f. may be perused. The Accountant-General's has asked for the Government's approval of this draft reply. It may be accepted in this Department.

3. The Accountant-General's presumptions in paras 2 and 3 of his letter on pages 59-60 c.f. are correct.

4. Please see para 3 of the letter from the Collector of Tiruchirapalli on page 63 c.f. Departments of the Secretariat have already been requested by this department to instruct the Heads of Departments under their control to take over the administration of the departments in the merged States with which they are concerned. No further instructions seem called for. Finance may be requested to issue necessary instructions regarding the budget allotments. Finance may be requested to consider also the suggestion of the Collector in para 4 of his letter on page 63 c.f.

With the above remarks the file may be transferred to Finance. That Department may be requested to send a reply to the Accountant-General with reference to his letter on page 59 c.f.

A.R.
8.10.48.

FINANCE (ACCOUNTS-A) DEPTT.

Please see the note of Public (Political)
on page 35 above.

2. Action is now called for with reference to the letter of the Accountant-General, Madras on pages 59-60 c.f. with which he has forwarded copies of letters of the Treasury Deputy Collector and the Collector of Tiruchirapalli at pages 61-64 c.f. and a copy of the reply which he proposes to send subject to the concurrence of this Government. The Accountant-General's reply covers all points raised in the letters at pages 61-64 except those in paras 3 and 4 on page 63 c.f. The proposed reply on pages 65-66 c.f. has been accepted in Public and it may be accepted in Finance also.

The remaining points for consideration are:-

(1) whether the grant of increment, leave and allowances to State staff will be governed by the State rules until they are merged in provincial services and the F.Rs. are made applicable to them;

(2) whether the power of subordinate officers in the State to incur expenditure will be regulated under State rules and not under the relevant rules in Madras Financial Codes until orders for their absorption in Provincial Services are issued;

(3) sanctioning of budget allotment for the State for the remaining period of the current year and authorising the Accountant-General to admit the expenditure in audit pending

provision of funds; and

(4) disbandment of the audit establishment of the State consisting of one Audit Superintendent and 15 Accountants as soon as the work of the audit of the accounts for the period prior to merger is over.

3. Item (1) in para 2 above:- Orders have been issued in the Public Department that until the issue of the final instructions in the matter of absorption of State employees, the permanent State employees should continue to be paid at the rates they were receiving before the merger. In view of this, the Accountant-General has presumed that the grant of increment, leave and allowances to State staff should be governed by the State rules until they are merged in provincial services. Public (Political) have stated that the presumption of the Accountant-General is correct. The same position will hold good in the case of Banganapalle State also. Public (Political) may be requested to issue necessary instructions to the Collectors of Tiruchirapalli and Kurnool and to the Accountant-General, etc. in the matter of
C.S. 2.11.48. in continuation of their Memorandum No. 1571/48-4 dated 29.6.48.

Item (2) in para 2 on page 36 above:- The ACCOUNTANT-General presumes that the power of subordinate offices in the State to incur expenditure should be regulated by the State rules until the officers are absorbed in the provincial services. The Status of the officers cannot be known until they are merged with the Provincial Services. Public (Political) have stated that the presumption of the Accountant-General is correct. This
C.S. 2.11.48. Department may agree and the Accountant-General may be informed accordingly.

Item (3) in para 2 on page 36 above:- In G.O. No. 948, Finance (B.G.) dated 8.10.1948 instructions have been issued to the heads of departments, etc. for the preparation of detailed estimates of revenue and expenditure both for the current year and for 1949-50 in respect of the Pudukkottai and Banganapalle States separately. The expenditure on the various items authorised by the competent authority will be allowed in audit and the question of formal provision of funds will not arise so long as the transactions appear in the Deposit section of the Accounts. No further action seems necessary on this point, as instructions to that effect were already issued in the above Government Order. The attention of the Accountant-General may be invited to this G.O.

Item (4) in para 2 on page 36 above:- It appears from para 4 of on page 63 c.f. that the audit staff referred to therein will not be required in future. Attention is invited to para 2 of Memorandum No. 1571-48-4, Public (Political) dated 29.6.1948 regarding absorption of surplus staff in suitable posts. As the staff in question belongs to the Audit Department, the Accountant-General may be asked to consider whether it would be possible to absorb them in his office and to consult the Examiner of Local Fund Accounts also in the matter, if necessary.

4. Attention is invited to the letter from the Government of India, Ministry of States and its enclosures on pages 67-75 c.f. With reference to para 1 of the letter on page 67, it may be stated that the letters of the Auditor-General copies of which are now forwarded by the Government of India were already received through the Accountant-General, Madras and the necessary action taken on them.

5. Subject to orders on the foregoing notes, a draft Memorandum to the Accountant-General is put up below for approval. Public (Political) may see before issue and with reference to para 3(1) on pages 36-37 above.

x x x
29.10.48.

x x x
2.11.48.

PUBLIC (POLITICAL) DEPARTMENT

The Accountant-General's letter and its enclosure on pages 59-66 c.f. the previous notes of this Department on page 35 above and the subsequent notes of Finance on pages 36-37 above may be perused. The proposals of Finance on pages 36-37 above may generally be agreed to in this department subject to the following remarks.

2. Para 3 page 36 above:- Finance agree that the grant of increments, pension, leave and allowances to the states' staff should be governed by states' rules until the staff are merged in the Provincial services and that necessary instructions may be issued in this regard by this department, in continuation of the instructions in the Memorandum at flag (R). The instructions in this Memorandum were issued in this department as all the question relating to the merger of the States were being dealt with in this department then. But as it has now been ordered that the administrative departments of the Secretariat should take action on items with which they are concerned, it seems it will be more appropriate for the instructions about the increments, pension, etc. to be issued in Finance itself. Finance may be requested to alter the draft Memorandum suitably. With the above remarks the file may be returned to Finance.

"Para 2 above:- There is a file in this department in which it is proposed to issue general instructions regarding the absorption of the employees of the States that have been merged and the compensation to be paid to those who are to be discharged. Necessary extracts from this file may be taken and added to that file and consolidated instructions issued from this department."

A.R.
13.11.48.

FINANCE (A.A.) DEPARTMENT

Draft Memorandum below may be issued.

x x x
19.11.48.

(Issued as Memorandum No. 82457/A^A/48-5 dated
19.11.1948)

....

/True copy/

[Signature]
for Superintendent,
Madras Records Office.

Madras Superintendent.

17/8